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The **Management REVIEW**



COMMENT • DIGEST • REVIEW

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June, 1939

HYSTEROIDS, manics, depressives, autistics, paranoids, epileptoids—that's what we all are, and in business the problem is to get each one of us with his dominating trait into the right job. An individual with a marked hysteroid tendency, for example, is dangerous to have around money, yet if an individual is devoid of this trait he may be "soft" in his dealings with other people. Sociable and responsive people are called manic types, and these make the best employees, generally. But guess what trait is common to successful collection men? It's none other than the paranoid, which is generally associated with a persecution complex and a tendency toward a fixed idea! Find yourself on page 196 (Theory and Practice of Temperament Testing).

A publication issued by the U. S. Department of Labor, *The Woman Worker*, views with alarm the drive against the employment of women in state and local governments. Each year, it is pointed out, more bills are introduced in legislatures throughout the country prohibiting married women's employment, and now such bills have been introduced in more than a fourth of the states. "Where," it is asked, "are they leading to?" The situation has implications for private industry in that if a substantial number of the states enact these bills, there will be a considerable shift of the employment burden to business. See page 195 (Work of Married Women Menaced).

IF you rolled Joe Doakes, Mr. Man-In-The-Street, and John Q. Public into one individual and asked him: "Are you in favor of the so-called closed shop—that is, hiring only persons who are already members of the union?", how do you suppose he would answer? His sentiment would be preponderantly against the closed shop idea, according to a Gallup survey. He would also utter a rather strong "no" on the question: "Are you in favor of the so-called union shop—that is, requiring every worker to join the union?", Dr. Gallup reports. For the percentages, see page 187 (Public Opinion and the Unions).

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Current Comment

THE COMMON SENSE OF PUBLIC RELATIONS

GOOD public relations must be earned. They are never a gift from heaven. It is what we *do* that counts, not what we say. Every favorable contact an employee makes forges a permanent link of satisfaction between the person served and the company. Every unfortunate or mismanaged contact is a nail in the coffin of our hopes for public appreciation.

So we must see to it that proper employee relations minister to advantageous customer relations. If we have done that, we have done much—but not all. For the fortunes of our business may be directly affected under present-day conditions by those who lie outside the classifications of employees or customers. From this large and indeterminate portion of the public, which we may think of as anything from the government of our nation to its humblest individual citizen, may originate opinions, attitudes and actions that will profoundly influence our future.

This makes it evident that those charged with administration of our public relations must be alert to what is going on in this field. They must constantly examine and analyze trends of thinking and the forces which result from their action and interaction. They must advise the business as to what may result from prevailing interplay of the currents of public opinion and what adjustments, if any, the business should make to protect itself.

Here again, however, it should be emphasized that no public relations activity can be of much value if it is conceived of as an entity functioning by itself. It must have the force, the authority, and the best thought of the whole company behind it.

The public relations results achieved by the country storekeeper were merely his natural "way of doing business." That suggests a point that should be made with clarity, namely, that a public relations program is in reality an operating function. It must be woven into the fabric of our "way of doing business." To be worth while it cannot be regarded as merely an extraneous activity which we may talk about complacently in an obscure paragraph of an annual report.

The operating aspect of the public relations function is embodied in our advertising, our literature, our newspaper contacts, and—if we are wise—constant effort through personnel selection and employee training to be sure that our staff is composed of the kind of people who make favorable impressions on customers and public.

The dynamic aspect of public relations as an operating function comes to attention most spectacularly when newspaper publicity is involved. There is no medium which can change public opinion about our business more rapidly, either for good or evil, than can the newspaper. It is as much a part of the operating function to recognize an emergency in the newspaper field as to recognize an emergency in any part of factory, office or field work.

Operating officials are accustomed to scan budgets. Public relations work costs money—even when the expense is distributed over all the departments concerned and results in a better "way of doing business." Those of us who are interested should welcome the challenge of the budget makers. They help us to take public relations out of abstraction, where it too often dwells, into examination squarely on its merits as an instrument of management. Management is already familiar with the necessity of considering human relations as a budget factor in business, mostly in questions of personnel.

Human relations, however, also shape attitudes of the general public, of our customers, of our employees—attitudes which sometimes exert a profound influence, either favorable or unfavorable. When unfavorable attitudes are created, the result is loss of profits. From a cold-blooded dollars-and-cents viewpoint, any business man will admit that he is justified in spending money to conserve profits.

So I believe public relations work is strictly common sense in business, which must be the case if we are to justify it. At the same time I cannot refrain from expressing my inner conviction that in addition there are more compelling grounds for justification. The achievement of proper public relations calls for exercise of the highest business statesmanship. The times challenge us to demonstrate that the system of private enterprise can produce the greatest good for the greatest number of our people. We have no honorable choice but to enlist our united courage, stamina and wisdom to win a triumphant decision of the issue.

HORACE P. LIVERSIDGE,
President,
Philadelphia Electric Company.

THE MANAGEMENT INDEX*

Abstracts and News Items

GENERAL MANAGEMENT

Is the Economic Frontier Closed?

By far the greatest part of the income that is now earned in producing commodities or services is derived from industries which did not exist 120 years ago. Railways, telegraph, telephone, electricity, bicycles, automobiles, airplanes, many durable consumers' goods in our households, movies, all sorts of drugs, radio, air conditioning, which is just beginning—all these imply a complete change of our world.

The belief is growing, however, that our time is not likely to see the emergence of important new industries. The last great industry—automobiles—has become old: effective demand is saturated, production is mostly for replacement, and the "new" demand from increasing population and from new layers of the population is negligible. There are some new industries, such as air conditioning and, to some extent, the airplane and various others of minor importance, but it can hardly be doubted that we are not headed toward an era comparable to the railway age or the electricity age, when the

foundations were laid for a new system of production and in fact for a new way of life.

If there is little to be expected from vertical expansion, what then are the prospects for horizontal expansion—i.e., the broadening of existing branches of production? In other words, can business lift itself up by its own bootstraps?

Unfortunately, it seems clear that under present conditions there are no automatic forces that could drive our economy toward horizontal expansion. As long as there are unutilized capacities, there will scarcely be investments in old industries. And there is no escaping the conclusion that recovery cannot be achieved by expansion in consumers' goods production alone, that there is needed an all-around increase of output.

The only way in which aggregate production could expand would be through a disequilibrium that would somewhere initiate investments, as for instance in housing or in other durable consumers' goods. With very low wages in construction, with a very

* For publishers' addresses or information regarding articles or books, apply to AMA headquarters.

low interest rate, and low prices of building material, entrepreneurs might venture to embark on such enterprises on the assumption that all their costs would be higher in the near future. But it is obvious that the disequilibrium must be very striking in order to induce such investments; it would have to mean a price-wage structure for horizontal expansion which is different from that required by vertical expansion.

In our times there is still another reason why the economic system does not tend automatically toward horizontal expansion. This is the fact that since the War the efficiency of labor has increased so rapidly that the obstacles to reemployment have become stronger and depressions more severe. There is a striking contrast in the output per man-hour between the first two decades of the twentieth century and the following period. These are the figures: 1899, 100; 1919, 125; 1925, 180; 1929, 190; 1931, 200; 1933, 220. While this enhanced efficiency does not of itself make for unemployment, the absorption of those who are displaced presupposes a pliant adaptation of production to the new conditions.

Since little may be expected from either vertical or horizontal expansion in the near future, does this mean, then, that expansion is impossible, that our economic frontier is indeed closed?

It means only that we can no longer depend upon automatic developments. A wide range of positive measures, however, is possible: monetary policy, subsidies for special industries, the

creation of demand for new commodities and services, a deliberate increase of efficiency in special sections of the country which could increase their buying power. Under today's conditions recovery depends on measures which were not necessary in times when the pulling forces of new industries were strong and when, consequently, optimistic expectations were well justified by the changes which everyone could foresee. By Emil Lederer. *Social Research*, May, 1939, p. 153:10.

Joint Management Research as an Aid to Collective Bargaining

Until about 1912, research aimed at the improved application of scientific techniques was primarily a problem of management. At that time, however, there began a marked transition toward *joint* research by management and labor. This shift in managerial thinking about how scientific studies should be made and applied has since become a growing phenomenon.

In the early stages of the trend, we witnessed effective work in the scientific application of valid standards—where those standards could be critically appraised by the workers themselves—by the shop committees of the Dennison Manufacturing Company, the Westinghouse Electric & Manufacturing Company, the American Seating Company, Leeds & Northrup, Sperry Gyroscope, the Acme Wire Company, and others.

Among the labor unions which have become parties to such cooperative ac-

tivities are the Typographical Union, the International Ladies Garment Workers Union, the Amalgamated Clothing Workers of America, the United Mine Workers of America, and the Steel Workers Organizing Committee. Other instances of joint study and action on job improvement have occurred in one or two plants in the mirror-making industry in Greater New York, in the silk-ribbon industry of Greater New York and New England, and in the Naumkeag cotton mills. A recent experience, one still current, is that of the West Coast paper industry.

The acceptance and use of the results of research involve active agreement on the part of those concerned; and active agreement and the resulting cooperation require explicit handling through properly constituted agencies of conference representing the interested groups. Collective bargains are therefore becoming the instruments in or under which to establish procedures for the joint supervision of research.

Management will wisely take the initiative in its own interests, no less than in the workers' interests, in broadening the scope of these agreements. It will encourage collaborative research on job problems. It is less crucial whether that research is jointly paid for than that all concerned shall have confidence in the results, in the technical competence of the research job, and in the good faith of those performing that job.

The stage is now set for another act in the drama of science in management and of men at work. The next act will

take place in the shops, around the council table where collective agreements are being written, and in joint conferences on standards and methods.

The reality of actual and literal democracy in the shop, and the reality of worker and of union interest in productivity and in low costs, will come to a practical focus only as we have the inclusion of provisions for joint production research in collective agreements. This is *the* strategic device for reconciling certain interests which are now at odds. By Ordway Tead. *The Society for the Advancement of Management Journal*, May, 1939, p. 68:5.

Cost of Living

Much to-do has been made of the rising cost of living in this country during recent years. Almost everything has been held responsible for the upward trend of prices since 1933—some point an accusing finger at the policies of the Administration as the chief cause, and some blame "monopolistic practices and other unwholesome methods of competition." This kind of argument is probably typical of any period of rising prices, but the extent of the phenomenon itself apparently tends to be exaggerated. Some of the facts, according to Bureau of Labor Statistics data, are these:

Prices of goods purchased by wage earners and lower-salaried workers in 32 large cities increased more than 100 per cent from 1913 to 1920, then declined through 1922, and continued on a fairly even keel, about 14 per cent

below the 1920 peak, from 1923 to 1929. From 1929 to 1933 the cost of living index declined about 24 per cent further, then turned upward, but the increase between 1933 and 1937 was only about 11 per cent. Preliminary estimates for 1938 showed a slight decline of about 2 per cent from the 1937 level.

In other words, at the close of 1938 the cost of living, after having risen at a slow rate for several years, was about midway between the pre-war level and the level of the 'twenties. The net decline from June, 1920, to December, 1938, in the cities observed was 31.8 per cent. Since 1927, costs of the miscellaneous group—which includes 44 items, such as street-car fares, motion pictures, newspapers, laundry services, medical care, etc.—have consistently topped the "all items" average, while rent costs have consistently fallen below. *Dun's Review*, June, 1939, p. 40:2.

Public Opinion and the Unions

It is four years this month since Congress passed the Wagner Act with its arsenal of provisions intended to protect labor in its right to organize, but today a nationwide survey by the American Institute of Public Opinion, of which Dr. George Gallup is director, shows that the average American wants some changes in the relations of labor and business and labor and the public.

The Institute's survey shows:

1. The great majority of Americans are in favor of labor unions and believe in labor's right to organize.

2. In spite of the victory of John L. Lewis and the United Mine Workers in winning the "union shop" in the soft-coal fields of Pennsylvania, West Virginia and Kentucky, the general public has not yet accepted the principle of either the union shop or the closed shop.

3. Tired by repeated strike troubles, the great majority of Americans (86 per cent) favor an automatic Federal mediation system for all disputes between employers and organized labor, such as is now in effect in the railway and maritime industries.

Finally, recent surveys indicate that although the public approves the aims of the Wagner Act, there is substantial sentiment for revising the act to make it fairer to business. Only one person in three says it should be left unchanged.

Among the actual votes were:

"Are you in favor of labor unions?"

Yes 70%

No 30%

"Are you in favor of the so-called closed shop—that is, hiring only persons who are already members of the union?"

Yes 27%

No 73%

"Are you in favor of the so-called union shop—that is, requiring every worker to join the union?"

Yes 29%

No 71%

Two things are of special significance in the answers. First, the number of persons in favor of labor unions has dropped since Institute surveys in 1936 and 1937, when 76 per cent and

78 per cent, respectively, said they were in favor of unions. Second, Republicans are overwhelmingly against the closed shop and union shop,

although they are nearly as much "in favor" of unions as Democrats. *The New York Times*, June 11, 1939, p. 22:1.

OFFICE MANAGEMENT

Office Bulletins and Posters

The dissemination of information to office personnel has been one of the major problems facing the Office Service Department of the Tennessee Valley Authority. Not only are several offices of this organization located in the same city, but it has many offices scattered over a large territory. To cope with this situation, four informational media have been developed: the Office Methods Bulletin, the General Office Bulletin, the Office Training Bulletin, and waste-control posters.

Each issue of the weekly Office Methods Bulletin presents to supervisors and junior executives the solution of a specific office problem. Not only does this medium enable the various offices to handle their work more effectively, but it creates ideas which enable them to solve other problems.

The procedure for gathering the material is simple and inexpensive. The person or persons offering the solution to the problem describe their procedure on a prepared form and submit it for editorial review. To present the procedure clearly and concisely necessitates some patience in the formative stages, but the technique of reporting

is quickly learned. After a few attempts, the work becomes automatic and requires very little time.

It is essential that a survey be made to determine the types of personnel to be reached and the nature and style of information to be presented to each type. In addition to an office methods bulletin for supervisors and junior executives, offices might well issue a mimeographed publication to the clerical staff, comprising secretaries, stenographers and clerks. Too often this group is neglected and has to depend upon devious methods and channels of information to keep abreast of improved practices.

A General Office Bulletin is distributed to supervisors and executives twice monthly by the TVA. This publication contains a digest of recent books and magazine articles on management, and an editorial on office management or allied subjects; it notes changes in supervisory personnel, and policies and procedures that have been established or discontinued.

Every organization is faced with the problem of minimizing waste. The slogan "A Little Waste Goes a Long Way" has been adopted by the TVA and appears at the foot of all waste-control posters. Every month a new

poster depicting some phase of office management that lends itself to waste control is displayed on the bulletin boards. By John F. Pierce. *The Office*, June, 1939, p. 14:5.

The Problem of Sick Leave in Offices

One of the most perplexing problems in office management is that of sick leave for the employees. The questions which arise in this connection are: For what period should salaries be continued in whole or in part? What checkup can be applied to detect and prevent malingering?

It is to the advantage of both the employer and the workers if definite sick-pay arrangements are established. A reasonable plan for sick pay would be based on length of service. For example, an employee as soon as placed on the permanent staff might be entitled to two weeks' full pay. At the completion of each year's service another week might be added. In the case of periods of illness exceeding a month, it might be preferable to reduce the allowance to half pay and make a corresponding extension of time.

Some companies employ a doctor or trained nurse to visit employees who report sick. An important purpose of these visits is to see that the sick employee receives proper care, but undoubtedly the detection of malingering is also an object.

A policy adopted by a few companies in attempting to eliminate unnecessary absences is to grant no sick

pay unless the absence exceeds a specific period, say two or three days. The effectiveness of such a plan is doubtful; though it would probably tend to reduce the frequency of one-day absences which certain employees indulge in, the actual amount of time lost might be extended.

Some employers, notably government bodies, allow their employees a definite number of days' absence for sickness in any calendar year. The period is usually two to four weeks (though experience indicates that the average office employee does not lose more than one week a year). Generally, the effect of this plan is that employees believe they are entitled to absent themselves for the prescribed period each year, whether or not they are actually sick.

So far as the ordinary office is concerned, the possibility of malingering must be merged with all other factors in passing judgment on individual employees. If an employee loses a good deal of time and is definitely unsatisfactory in other respects, an unfavorable cumulative effect is unavoidable. By R. B. Taylor, *Business Management*, May, 1939, p. 12:1.

New Filing Technique

Although filing and the storage of records and files are problems that must be dealt with individually by each organization, occasionally a new technique is developed which may be applied to advantage by nearly every company. One such workable technique, employed by the National Elec-

trical Manufacturers Association, is its method of marking material that goes to the files.

First, written general rules have been set down as to how long material of various classifications should be held in the files. Correspondence of the ordinary type is to be retained in the files for one year, while material of a contractual nature is to be kept six years. Any series of correspondence leading to the adoption of a policy with respect to any major problem of the industry is made a part of the permanent files.

Each staff member concerned with correspondence decides its classification and marks the material accordingly before it is filed. To facilitate this marking, carbon second sheets have printed on the upper right corner a rectangle similar to that illustrated.

File Record		
1 yr.	Destroy	
	Review	
6 yrs.	Destroy	
	Review	
Permanent		

Correspondence marked "1 yr.—Destroy" is destroyed at the end of a year, but if the person marking the correspondence is uncertain as to the disposal date at the time of writing, he has an opportunity to check it for review at the end of the year. Also, material which is known to be more than routine may be reviewed at the end of six years to determine its value for the permanent file. Material readily recognized as belonging in the permanent file is marked accordingly.

At the end of each year the file clerk sorts the material to be destroyed and at the same time refers to the writer material marked for review. The correspondence sorted by the file clerk is checked by another person to ascertain that only the material marked "Destroy" is destroyed.

File data which does not involve correspondence is hand-stamped with a rectangle identical with the figure illustrated and handled in the same fashion. *NEMA News*, June 5, 1939, p. 5:1.

How 245 Companies Handle Incoming Mail

A questionnaire covering practically every phase of the handling of incoming mail and its contents was recently submitted to approximately 1000 companies, of which 245 answered in full. The results of this survey disclose some significant trends.

The office manager has charge of incoming mail in 31.4 per cent of all companies cooperating in the survey. Next comes the mailing department, or mailing room manager; he has charge of incoming mail in 11 per cent of the offices. Third on the list is the controller, who is directly in charge of incoming mail in 10.2 per cent of the offices. Secretaries, treasurers and vice presidents rank next as executives in charge of incoming mail.

The actual opening of mail is entrusted to clerks in the mailing department by 49.5 per cent of the companies; to other clerks by 16.3 per cent of the companies; and to office boys by 16.6

per cent of the companies. Mail is opened in more than half of the offices (54.28 per cent) in a special mailing room, set aside for the purpose. A little more than half of all these concerns, 58.37 per cent, use a letter-opening machine to expedite handling of incoming mail.

First-class mail is given preference in 62.26 per cent of the offices. Almost two-thirds of the offices make no distinction between second- and third-class mail, opening and distributing both classes as they come in. Magazines are handled and distributed along with other mail in 74.65 per cent of the companies.

Before the office opens for all employees and before routine work begins, clerks in 72.65 per cent of the offices are already busy opening mail so that it is ready for distribution and, in some cases, is actually distributed before people arrive at their desks.

To assist in handling mail on which the correspondent has neglected to in-

clude his address, 25.30 per cent of the companies reporting methods in this survey state that the envelope is attached to all such correspondence to serve as an added clue, by reason of postmarks or return addresses. When envelopes are separated from mail, 78.77 per cent of the companies inspect all empty envelopes before they are discarded to insure against the possibility of the mail clerk's having overlooked valuable enclosures. The accepted practice for this is to hold the envelopes against a naked electric light, or to pass them over a glass-top box in which a bright light is burning.

Time or dating stamps are used by 77 per cent of the companies reporting. When remittances accompany mail, it is the practice of 93.06 per cent of the offices to segregate them from other mail. Currency and stamps are treated in the same manner as other remittances by 61.22 per cent of the reporting companies. *American Business*, May, 1939, p. 22:5.

PRODUCTION MANAGEMENT

Industrial Economics: *Labor and Capital, Legislation, Wage Theory, Migration*

Comparative Earnings and Hours of Men and Women

Increases in the level of week's earnings of both men and women, in many of the more important woman-employing manufacturing industries and in

laundries, occurred during the period from the autumn of 1937 to the autumn of 1938. These increases were due to slightly longer hours of work (though the average for women's work was less than 40 hours a week in most industries) rather than to higher hourly

rates. Decreases in average hourly earnings of women were shown in 15, and of men in 11, of the 24 industries reporting hours.

Average hourly earnings of women were highest and also lowest in the clothing industries, ranging from 86.7 cents in women's coat and suit making to 35.5 cents in cotton-dress factories. Average hourly earnings of women were less than 40 cents also in knit underwear, cotton goods, silk and rayon goods, confectionery, paper boxes, and laundries.

Women's earnings, both on a weekly and on an hourly basis, were found to be lower than men's in the same plants in all the reporting industries. Of the 22 manufacturing industries reporting hours, in only two—cotton textiles and cigars—were the average hourly earnings of men less than 50 cents in September, 1938; and in only five were women's earnings as high as 50 cents an hour. In 10 industries the average earnings of women were 25 cents or more below those of men.

Women workers in all the industries worked fewer hours on the average in September, 1938, than did men, though an average week of over 40 hours for men was shown in only four of the manufacturing industries and in two non-manufacturing industries. *Monthly Labor Review*, May, 1939, p. 1003:4.

Wages of Different Age Groups

After 40, a man may experience more difficulty in getting a job than the man who is only 25 years old. But if he has a job, his earning capac-

ity appears to be considerably greater than that of the younger worker, according to an analysis of wage records for 1937 made by the Bureau of Old-Age Insurance of the Social Security Board.

In 1937, the study shows, of 30,157,694 employees whose wages could be tabulated according to their ages, 2,360,775 in the age group from 45 to 50 received an average annual wage of \$1204. This was the highest average for any wage group.

Wage earners in five age groups from 40 to 65 accounted for average earnings ranging from \$1199 to \$1086. Wages paid to workers in five age groups between 15 and 40 averaged from \$263 to \$1134. Social Security Board, May 1, 1939. 1 page.

Survey of Comparative Living Costs

A survey of comparative living costs in five small Southern cities and five Northern cities of similar size, which was recently completed by the U. S. Bureau of Labor Statistics, found that the average was 3.1 per cent lower for the five Southern cities.

The report of the Bureau of Labor Statistics shows that while, on the average, rent in the five Southern cities surveyed is 7.6 per cent lower than for similar housing in the North and fuel costs are 34.2 per cent lower, there is no essential difference in food costs. The cost of clothing was 2 per cent higher in the five Southern cities surveyed; furniture, furnishings and equipment, 3.8 per cent higher; and

miscellaneous items, 3 per cent higher.

Families in both regions have adapted their expenditures to local prices, consuming more of the goods which are relatively cheap in the locality, and less of those goods and services which are relatively more expensive. Thus, basing its conclusion on the prices of goods consumed by an average family of an employed wage earner in the North, the Bureau of Labor Statistics finds that the cost of such a Northern budget is 1 per cent less in the five Southern cities surveyed than in the Northern cities surveyed. In dollars, the cost is \$1387 in the Northern cities and \$1374 in the Southern cities.

Wage-earner families in the five Southern cities, on the average, would have to spend \$13 less annually than wage earners in five Northern cities to live on the same standard. On the other hand, it is pointed out, the cost of goods consumed by an average family of an employed wage earner in the South was found to be 5.3 per cent less in the five Southern cities than in the five Northern cities. These differences reflect essentially contrasts in buying habits and tastes, rather than in the quality of living involved. U. S. Department of Labor, Wages and Hours Division, June 4, 1939. 15 pages.

Earnings and Hours in Manufacture of Full-Fashioned Hosiery

Hourly earnings in the full-fashioned hosiery industry averaged 65.8 cents in September, 1938, as shown by a study by the Bureau of Labor Statistics. Male

wage earners averaged 83.5 cents, while females, who make up over 55 per cent of the industry's labor force, received 50.9 cents an hour. A considerable regional difference was found, workers in Northern mills averaging 69.3 cents an hour, as compared with 58.1 cents for employees of Southern establishments.

Only 3.1 per cent of all workers in the industry earned under 25 cents an hour, the minimum effective on October 24, 1938, under the Fair Labor Standards Act. On the other hand, a 40-cent minimum (recently recommended by the Hosiery Industry Committee under that act) would require an upward adjustment in the earnings of one-fifth of the workers. *Monthly Labor Review*, May, 1939, p. 1147:25.

Business Mortality: The Shoe Manufacturing Industry

Very few studies have been made of the mortality of manufacturing concerns. Because of the paucity of data on this subject, the results of a recent survey of important shoe manufacturing areas should therefore be of especial interest.

A very high mortality rate among shoe manufacturing companies is indicated by the data compiled. Taken by themselves, the figures are striking. In the decade 1926-1935 more than one shoe firm out of six ceased business in each year. The average life of all firms that did business in the period 1905 through 1935 was only about six years. Approximately half of the shoe firms that started business

in any year had gone out of business by the end of the third year thereafter. As between the small towns and the larger, it is significant that the mortality was higher in the former.

Comparison with a similar study for retail trade in Buffalo for the years 1918-1929 yields the following results: The proportion of new stores that had disappeared by the end of the third year was: grocery stores, 77.6 per cent; shoe stores, 63.9 per cent; hardware stores, 54.3 per cent; drug stores, 43.9 per cent. Comparison with other studies of retail trade mortality indicates that the rate of disappearance in Buffalo may be regarded as fairly typical. Evidently the business mortality in shoe manufacturing is comparable to that in retail trade and higher than in some branches of retailing.

Such mortality among shoe and boot manufacturers as is revealed by this survey is, in itself, important in its social and economic implications. The stranding of workers and the resultant problems of unemployment and relief constitute a major indictment of the high mortality rates now prevailing. By Horace B. Davis. *Harvard Business Review*, Spring, 1939, p. 331:8.

Joint Industrial Councils in Great Britain

Joint councils of employers and employees, established to deal directly with industrial problems, are effective instruments for voluntary negotiation in Great Britain. They are known as Whitley councils, and have been estab-

lished in well-organized industries since the World War as a result of recommendations made by the Whitley Committee between 1917 and 1919. The Government encouraged the introduction of voluntary machinery for well-organized industries in order that their problems might be dealt with as effectively as had been done by the trade-board system in industries less well organized.

There is no uniformity in personnel and size of the British national joint industrial councils, which vary in accordance with the requirements of the different industries. National joint industrial councils range in size from 14 to 70 members. They are usually composed of an equal number of representatives of trade unions and of employers' associations. Largely because of opposition by the trade unions, there have been only a few instances in which foremen and technical staffs have been given representation in the joint industrial councils.

Joint industrial councils deal with varied problems, ranging from individual wage claims to the framing of industrial policies of fundamental importance. Practically all the councils which have been established operate under constitutions. A few joint councils have systems for conciliation, mediation, and arbitration of industrial disputes.

The system has contributed toward the advancement of industrial organization and materially extended collective bargaining. Whitleyism is also credited with having placed the trade unions on a sounder basis and having

given them a better standing because of the success of collective bargaining under the joint-council system. *Monthly Labor Review*, May, 1939, p. 1046:9.

Work of Married Women Menaced

The drive against the employment of married women in state and local governments is becoming more acute. Bills against married women's employment have been introduced in the legislatures of more than a fourth of the states. In the past such bills have applied to women whose husbands also were in the public service. Now, however, they are becoming more extreme, and in most cases would forbid the employment by state and local governments of married persons (including teachers) whose spouses have any type of employment. In some cases they apply to married women whether or not their husbands have work. Some even provide for dismissal of married women now employed.

In some states these bills bar the employment of the married woman only if her husband earns a specific minimum, say \$100 a month, or \$1200 or \$1500 a year. The bill in one state would prohibit employment of any married person whose spouse receives as much as \$800 a year from any work, though the WPA study of cost of living reported \$1243 as minimum family maintenance in a city of that state.

The use of the term "persons" instead of "women" has not had the intended effect of avoiding discrimination against women. Under the "mar-

ried persons clause" of the Economy Act (since repealed), which applied to the Federal Service, more than three-fourths of those who lost their jobs because of the act were women. *The Woman Worker*, May, 1939, p. 3:2.

Sex and Age of Old-Age Insurance Applicants

Thirty-six out of every 100 persons applying for social-security numbers in 1938 were women, according to an analysis of old-age insurance records recently made public by the Bureau of Old-Age Insurance of the Social Security Board.

Women accounted for some 2,100,000 of the 5,700,000 applications received last year—36.4 per cent as compared to 27.4 per cent for the period prior to 1938. Women also made up a larger proportion of the total applicants than might have been anticipated. According to the 1930 census, women constituted about 22 per cent of the persons gainfully employed. But at the end of 1938 they held about 28½ per cent of all the social-security account numbers assigned—nearly 12,000,000 out of a total of approximately 41,900,000. This proportionately large showing is due to the high turnover among women in the labor market.

Grouping last year's applicants by age, the analysis also reveals that young people accounted for more than half of the total of all applications received in 1938—56.7 per cent coming from men and women under the age of 30. For each five-year age group over 30, the 1938 figures show a pro-

gressive decline in the number of applications.

"These increases in the proportion of applications coming from young people indicate that the old-age insurance system is reaching stabilization," declared John J. Corson, Director of the Bureau of Old-Age Insurance. "Workers who already had jobs in employment covered by this plan got their numbers at the start of the program early in 1937 . . . As a result, more and more new applicants are naturally young men and women who are taking, or about to take, their first jobs." Social Security Board, May 11, 1939. 20 pages.

Five-Day Week Policy in Large Companies

The Conference Board recently completed a rapid survey of 63 large companies in order to determine prevailing policy with regard to five-day week operation. The results have been tabulated separately for factory and office employees.

Personnel

Theory and Practice of Temperament Testing

The Humm-Wadsworth Temperament Scale has proved unusually effective in placing job applicants to the best advantage and in weeding out potential trouble-makers from otherwise acceptable employees.

Factory employees in 68.3 per cent of the companies observe a five-day week throughout the year. In 6.3 per cent of the reporting companies, factory workers are on a five-day week normal schedule "with some exceptions," while in 3.2 per cent of the companies they are on such a schedule except at production peaks. In 22.2 per cent of the factory organizations, however, a five-day week policy is not observed at all.

Office staffs in 50.8 per cent of the companies surveyed operate five days a week throughout the year. In 17.5 per cent of the companies, office employees observe a five-day week schedule "under special conditions"; in 12.7 per cent of the companies, such a schedule is observed during a specified part of the year; while 4.7 per cent of the office organizations operate five days a week "with some exceptions." The remainder of the offices (14.3 per cent) do not observe the five-day week under any conditions. *The Conference Board Management Record*, April, 1939, p. 63:1.

The scale is based on 318 questions, each to be answered by Yes or No. The temperament factors which Humm and Wadsworth used were the *normal*, or "temperamental brake," which, if strong enough, can counterbalance otherwise unfavorable indications, but which, if too strong, may inhibit even behavior that is usually acceptable;

the *hysteroid*, an antisocial tendency supposedly found in those who commit crimes for personal gain; the *manic*, or excitable-sociable trend, and its opposite, the *depressive*, which is associated with suicidal tendencies and is oftenest found in people who fluctuate from elation to depression; the *autistic*, evidenced by the inclination to withdraw within oneself; the *paranoid*, associated with a persecution complex or a tendency toward fixed ideas; and the *epileptoid*, which supposedly shows itself in close attention to fine detail and a distorted view of the relation of oneself or one's job to other people. When any of these basic types of temperament makeup assumes an exaggerated form, the result is a psychosis.

Experience has taught us to make a sharp distinction between the components of the scale and the psychoses for which they are named. Unfortunately, the trait names themselves are apt to be misleading, and it is very easy to fall into error in interpreting the results of the test.

Strong manic indications occur more frequently than any other. People with manic indications will probably make the most satisfactory employees, since they are sociable, responsive, and usually cheerful. In many instances they have been found capable of handling a large volume of work efficiently when other individuals seemed unable to rise to the emergency.

The most obvious misfits are the people who possess a marked hysteroid tendency, and who try to hold positions where they have access to money.

On the other hand, if the hysteroid tendency is completely lacking, the person is apt to be "soft" in his dealings with other people. Without an equally strong "normal" showing, however, hysteroid strength is dynamite in a financial institution.

We have concluded, from what we know of autistic people, that they are very well suited for laboratory and research projects and for jobs that do not require versatility or close contact with others. The paranoid trait is common to successful collection men, but in other situations we find that paranoid individuals make unsatisfactory employees.

Humm and Wadsworth validated their temperament scale originally on a group of people over 25 years of age. Since, theoretically, temperament does not tend to stabilize until about age 30, results achieved in the application of the scale to youthful employees may have to be discounted.

Administration and scoring of the temperament scale are relatively easy, and while the results are not infallible, they come uncannily near the truth if properly interpreted. By Mary Elizabeth Hemsath. *Personnel Journal*, May, 1939, p. 3:10.

What Happened When We Gave Employees a Voice in Management

A "Ways and Means Committee" composed of seven factory workers is fostering teamwork, eliminating employee grievances, and improving public relations for the Williamson Candy Co., of Chicago.

Membership in the committee is restricted to rank-and-file workers, and each member is elected for one year. The committee's primary function is to gather and bring into meetings (a) suggestions made by individual employees for improvements which may add to the comfort and satisfaction of the workers; (b) suggestions for the betterment of the plant and equipment; (c) suggestions concerning materials; and (d) suggestions for improving methods. Members of the committee have been assured that they may speak frankly, regardless of whom their criticism may affect and without fear of discrimination.

Once a month the committee meets with management on company time. Notes are made of the matters discussed, and these are typed and copies distributed to the committee members, main factory executives and the controller. Suggestions and criticisms brought up need not be accepted by the factory executives, but if they are not, reasons for their rejection are given at a subsequent meeting.

Among the things the company has learned is that defects in working conditions which seem inconsequential to the management may loom very large to the people in the plant. Within a short time after the establishment of the committee, the management was apprised of a number of defects which it cost \$10,000 to remedy. However, this proved to be a profitable investment rather than an expense.

The company has been impressed by the fact that most of the complaints, criticisms and suggestions are founded

on common sense and logic. It is convinced that the committee contacts have strengthened and stimulated the factory organization as well as the management. By George H. Williamson. *Sales Management*, May 1, 1939, p. 18:2.

Hobby Show

Companies that are contemplating an employees' hobby show might learn much from the experience of The Warner & Swasey Company, of Cleveland. This concern recently held a successful exhibition at which 85 employees displayed their hobbies to 5600 visitors. The exhibits ranged from mounted butterflies and tanks of tropical fish to a model machine shop and a complete hunting and fishing camp.

About six weeks before the event, cards announcing the hobby show were mailed to all employees. Those who returned the announcements and expressed interest in exhibiting their hobbies were sent entry blanks that required a detailed description of the displays. The filled-in entry blanks gave all the information necessary to allocate space and prepare a scale drawing of the entire exhibition, including every chair and table in its proper location. With the detailed master drawing there was a minimum amount of confusion and misunderstanding when it came time actually to put the show together.

All the materials requested by exhibitors, such as showcases, tables, plywood board, and so on, were rented through a local firm and furnished

without charge to the entrants. Displays were insured by a blanket policy, and 12 men were on guard duty at all times during the show.

The exhibition proved to be one of the best open-house features that Warner & Swasey has ever had. On the basis of this experience, the company's hobby show committee has made the

following recommendations: (1) Post a notice of the show nine months and again six months in advance; (2) expand the show to include one exhibit from each family; (3) appoint an outside committee to select the prize-winners. By John C. Cline. *Factory Management and Maintenance*, March, 1939, p. 54:4.

Benefit Systems and Incentives: Pensions, Profit Sharing, Suggestions, Vacations, Stock Ownership

Company Non-Contributory Disability Benefit Plans

On the basis of information gathered in October and November, 1938, furnished by 48 companies with active non-contributory disability plans and employing 641,608 persons, it was found that:

1. The average non-contributory plan includes all classes of employees in its benefits and permits all to participate upon the expiration of a probationary period, most frequently set at one year. Over 85 per cent of the employees covered by these plans have fulfilled the necessary service requirements and are eligible to participate in the benefits in the event of incapacity.

2. Benefits are given for both illness and non-occupational injuries. Industrial accidents are usually exempt from payment, although if the company benefits are more liberal than payments under workmen's compensation the employee receives the difference between

the two in addition to any amounts to which he may be entitled under the law.

3. In 71 per cent of the plans, the employee's participation in benefits is contingent upon the years of service to his credit, the percentage of wages paid in benefits or the maximum number of payments varying in some ratio to the service record. Over half of the plans, 56 per cent, provide for benefits equivalent to normal wages, at least to employees fulfilling the maximum service requirements. The maximum period for which benefits may be given varies from 10 days in one company to the payment of benefits for the entire duration of the disability, which is the policy of four companies.

4. A waiting period of one week before benefits begin is required more frequently than any other, while 25 per cent of the plans pay benefits from the first day of incapacity.

5. Half of the plans place limitations upon the maximum number of payments that may be made for a continu-

ing disability, but there is no limit on the number of benefits that may be paid for unconnected disabilities suffered during a year. In the remainder of the plans the number of payments that may be made in the course of a year is strictly limited. However, unused portions may not be carried over to the next year, except under three plans.

6. Management is the sole administrator of the plan, with authority to settle any matters in dispute. The company medical department exercises a large measure of control over the administration of the plan, checking on suspected cases and supervising disabled employees to make sure they are receiving the proper care.

7. Malingering has not been a serious problem, except in isolated instances, although three companies discontinued their plans because malingering could not be controlled.

8. The cost of providing sickness benefits for employees varied from 0.0025 per cent to 1.7 per cent of the payroll, with a median of 0.5 per cent. Three plans were discontinued primarily because of the heavy cost of this protection. Benefit payments are usually treated as part of the payroll expenses.

9. During the past decade, very few of these plans were discontinued. Some changes have been made, but these have been mostly in the direction of liberalizing the plans.

10. Neither union agitation nor social security legislation has interfered greatly with the successful operation of company non-contributory plans.

By F. Beatrice Brower. *Studies in Personnel Policy*, National Industrial Conference Board, Inc., March, 1939. 28 pages.

(The texts of selected non-contributory disability benefit plans are included in an appendix to this study—*Editor*.)

How to Make Teamworkers Out of Selfish Individualists

A profit-sharing plan through which employees are enabled to build a life insurance estate and to participate directly in company earnings on a cash bonus basis has been an important factor in cutting turnover and maintaining *esprit de corps* for the Package Machinery Company, of Springfield, Mass.

The plan provides for profit participation by all employees who have been with the company for one year or longer, thus making a new worker almost at once a definite part of the organization. Every employee of one year's standing or more receives for each year a certificate entitling him to \$100 of life insurance free of cost, plus the earning power of two shares of common stock payable as dividends are declared. Thus, the person who has worked for the firm for 20 years has accumulated 20 certificates, the total of which represents \$2000 in life insurance plus the earning power of 40 shares of common stock.

The profit-participation plan is supplemented by a wage dividend plan whereby each employee receives a wage dividend in any quarter when the company pays more than 50 cents a share on its common stock. For every

10 cents paid over 50 cents a share, each worker receives 1 per cent of his wages earned in the previous quarter, with the provision that this not be figured on a sum greater than \$750.

Through December, 1938, the company had distributed more than \$119,000 as the employees' share of profits, and had in force more than \$217,000 of free life insurance, the latter in addition to \$401,000 contributing-plan life insurance.

As a direct result of the plan, the company's labor turnover is practically nil. Important also are the profit-consciousness and conservativeness engendered by the plan. There is now a marked saving in the use of stock and materials in almost every department. Perhaps most important of all is the spirit of teamwork which is evident throughout the organization. By R. S. Clark and M. S. Sullivan. *Sales Management*, June 1, 1939, p. 53:3.

Shop Methods: Industrial Engineering, Standardization, Waste, Rate Setting, Time and Motion Study

Motion Study Applied to Factory Cleanup

At the Procter & Gamble Company, Ivorydale, Ohio, motion-study techniques were recently applied to the operations of 700 workers engaged in factory cleanup. Some specific conclusions resulting from this program follow:

1. Centralizing cleanup under a single foreman, with the department acting as a service organization to the production departments, seems to possess the most advantages of the types of organization studied for factory cleanup work.

2. Since the cost of the tools a janitor uses represents less than .3 per cent of total cleanup costs, it is false economy to purchase other than the most efficient tools. "Head mops"

which lie flat against the floor are more efficient than "ferrule mops." Central localities for water and drain lines mean much in reducing transportation distance and time. If hot mopping water is obtained from steam condensate lines, heating time is eliminated, steam is saved, and the water is softer because of boiler feed-water treatment. The swing stroke is most effective in mopping. By standing at right angles to the direction of the stroke, an optimum stroke of 12 feet is possible in an unobstructed area. Planning the direction of the stroke is most important, and as much as 32 per cent in time can be saved in this way. If janitors are supplied with non-skid sandals, the danger of slipping is lessened and output is increased 5 per cent.

3. Considerable time was lost by

transporting water in small buckets. A specially designed mop-truck with three large water compartments has been developed, which has a 42-gallon capacity for clean water and a 37-gallon capacity for dirty water.

4. Vacuum cleaners with a high-speed pump mounted over a dust-collecting can on casters and with the filter exposed on the discharge side of the pump seem to be most efficient. Time studies showed that a cleaner 12 inches wide is most effective for areas with an average degree of obstruction. The most efficient stroke was found to be looping the cleaner across the floor at the ends of the stroke.

5. Window-cleaning should be scheduled with regard for the time of year and the degree of dirtiness in different departments.

By Lawrence A. Flagler. *University of Iowa Extension Bulletin*, April 15, 1939, p. 9:2.

Group Incentive in a Packing Room

The Detroit Steel Products Company decided 10 years ago to install a group bonus plan in its packing room, where a group of eight employees pack fittings for a diversified line of steel sash. The operations that were to be included under the plan were: receiving, storing, issuing to shop, and packing for shipment to customers. Two receiving department employees, two office clerks, one window attendant on shop requisitions, and three packers constituted the group. Orders were analyzed, covering a period of more

than a year, to determine the most popular type of sash sold, the average number of sash per order, and the quantity of fittings per order. From this analysis, together with time studies, a base unit was established in such a way that the work involved in packing one box of any type of fittings might be expressed as a fraction of the average order. The result of the operation of this group incentive over the past 10 years has been twofold—a 10 per cent cost reduction, together with increased earnings of approximately 15 per cent. *The Conference Board Management Record*, March, 1939, p. 46:1.

Lopping 20% Off Small-Package Shipping Costs

With transportation rates and minimum charges rising, chain-store traffic departments are faced with the problem of devising means of holding down the cost of delivering merchandise from manufacturer to store. The situation is aggravated by current business conditions, which have brought about a pronounced increase in hand-to-mouth buying. Store managers are ordering carefully. This means an increase in the percentage of small packages which are too light for shipment by freight. As a result, more merchandise is being shipped by parcel post, with a correspondingly heavy increase in costs.

An investigation conducted by *Chain Store Age* disclosed that at least two national chains have discovered how to offset the additional heavy ex-

pense created by the increasing number of small shipments by parcel post. The answer to the problem was found in the use of outside consolidating companies, organizations formed specifically for the purpose of handling small packages and therefore equipped and geared for this type of work.

One of the chains has been using an outside consolidator for years and has effected a net saving of 20 per cent on shipping costs of small packages. Savings made by both companies in one year on small-package shipments are calculated at nearly \$500,000.

Only small packages weighing up to 70 pounds are handled by the consolidator. By combining these packages into freight shipments and paying carriers on the 100-pound basis, the consolidator saves the difference between the parcel-post rate per package and the freight rate. Deduct from this saving the consolidator's operating expenses, and there is still a considerable profit left for both chain and consolidating company.

The consolidator is geared to operate with speed and maximum economy. For example, the consolidating company has no billing expense nor does it carry accounts receivable, since it is paid in advance. And most shipments go out on the day they are received.

The chain's traffic department sends detailed shipping instructions to all manufacturers, indicating to which stores packages should be shipped via the consolidating agency and up to what maximum weight for each store.

The chain also indicates what the rates are so that shipping charges can be fully prepaid and charged for on the invoice.

Through using the outside consolidating companies the chains' traffic departments are not only saving money but they have appreciably lightened their own work. By Joseph A. Fletcher. *Shipping Management*, May, 1939, p. 12:5.

Compilation and Use of Delivery Schedules

Many companies manufacturing made-to-order merchandise do so within general delivery schedules; that is, they have definite and published schedules for determining delivery dates. Orders for this merchandise fall within these classified schedules, and from them a sales representative can determine the shipping date of an order and advise his customer accordingly.

A recent survey indicates considerable flexibility in methods of compiling delivery schedules. Of 18 companies that provided information on this point, eight base their methods on the availability of raw materials and the volume of work ahead. Five companies use a Central Planning Board that considers operation times and schedules orders according to standard production figures. Three companies gear their delivery schedules to their sales volume; that is, the sales force estimates requirements for a period of time, and delivery schedules are made to coincide with production needs to fill these anticipated

requirements. Two companies observe a flat or standardized schedule that does not deviate—i.e., each operation is allowed a standardized period of time which does not vary.

Twenty-five companies defined their policies of adherence to schedules. Ten stated their schedules were definite delivery promises; 10 declared their schedules were approximate and allowed leeway either side of the deliv-

ery date; while five concerns admitted using both definite and approximate delivery schedules.

Of 34 companies that outlined their practices with regard to acknowledging orders for "special" merchandise, 18 acknowledge all orders; 11 do not acknowledge orders; and five acknowledge only when asked to. By T. R. Sullivan. *NOMA Forum*, June, 1939, p. 15:1.

MARKETING MANAGEMENT

America's Shifting Purchasing Power

In 1929 the national income was \$79,988,000,000. By 1933 it had declined to \$45,782,000,000, but four years later it stood at \$70,645,000,000. Not all persons and not all states shared the drop and the recovery in quite the same way. The differences, as brought out recently by Department of Commerce statistics, are important to those who study markets with an eye to the future.

To the economist, looking for a broad generalization for the period, it might seem that a partial redistribution of income took place—that, *relatively*, the rich got poorer and the poor got richer.

And to the market analyst, looking for bull markets for the sale of merchandise, it might still seem that the best sales states are the most populous—New York, Pennsylvania, Ohio

and Illinois—because of high per capita incomes.

Yet, although those four states accounted for 29 per cent of the nation's population and a much higher proportion of the national income (37 per cent in 1937), three of them—Illinois, New York and Pennsylvania—not only sustained a greater decline in per capita income than the national average but also dropped in rank during the period.

Pennsylvania and Illinois are conspicuous for another reason. Along with Missouri, they were the only states which, throughout the nine-year period, realized a more or less steadily decreasing per capita share of the national income. In other words, during the depression the income of the average Illinoisan, Pennsylvanian and Missourian declined more than that of the average American, and on recovery did not recover as fast.

Nine other states reversed this per-

formance. California, Colorado, Florida, Louisiana, Minnesota, Nevada, New Mexico, Texas, and perhaps Wyoming, improved their relative per capita income during the depression years and continued (for the most part) to improve during recovery phases.

The inherent suggestion of this showing is that these nine states represent good spots in which to push sales, inasmuch as they are in a bull trend relative to the national income. However, it must be noted that, on a per capita basis, a state like New Mexico or Louisiana continues to rank quite low. Thus the safest generalization which is warranted is that the nine "uptrend" states are good states to direct sales effort toward, if—to use the economist's escape clause—other things are equal. *Business Week*, June 3, 1939, p. 21:4.

The Problem of Retail Site Selection

The basic steps in determining for what retail uses a given site is appropriate are first to identify the consumer groups to which the location is convenient and to determine the size of those groups, and second, to determine for those consumer groups the ranking of various retail articles and services in terms of convenience-desirability. The first step requires a traffic analysis, and the second step, a study of buying habits.

The most common method of securing information on potential consumers of goods to be offered at a particular

location is the simple traffic count. This method involves the counting of pedestrian traffic moving past the site during a series of test periods on several days of the week. From these data estimates are made of the potential sales volume of a hypothetical retail outlet. It is now being recognized by site analysts that only carefully conducted qualitative analyses of traffic are productive of dependable estimates. Attempts are made to separate the traffic stream into its components, and to analyze these constituent elements with respect to point of origin, destination, age, sex, economic level, social characteristics, motives, state of mind, and, of course, the number of individuals. It is also of importance to analyze in like manner the adjacent working population or residents who might be drawn to the site for purchases of certain kinds.

Having secured an adequate description of the predominating groups of potential customers, the second step in site analysis may be taken—i. e., the study of the buying habits of the several consumer groups, and a determination of their weightings of convenience-desirability with respect to individual retail items or services. This study of buying habits may be restricted to the practices of the consumers in the purchase of the specific goods which the merchant intends to offer.

A knowledge of associative tendencies among retail types is of considerable aid in the site-selection process. Since these tendencies become more pronounced and of greater significance as the retail structure matures, this ap-

proach is most useful in the central business districts and in the older subcenters. Associative tendencies are a direct reflection of relative convenience-desirabilities of various retail types, and suggest which uses are likely to thrive in similar or associated locations. The facts of geographical association of retail types permit the writing of general site specifications for the several retail types in terms of neighboring uses. The merchant can judge the appropriateness of a particular location for his store by analyzing the adjacent uses. By Richard U. Ratcliff. *Michigan Business Studies*, Volume IX, No. 1. University of Michigan Press, Ann Arbor, Mich., 1939. 96 pages. \$1.00.

Trend in Reverse

Selling direct to retailers was a growing trend among grocery manufacturers when the Robinson-Patman Act became law in 1936. Then the trend did an about-face.

How far it had gone in reverse was a subject of speculation until late in May, when the Associated Grocery Manufacturers of America, Inc., queried 122 leading grocery manufacturers on their delivery, pricing and quantity-discount policies.

Asked "Is it your general practice to sell direct to retailers?" 74 manufacturers said no, 15 yes, while 25 said that they sometimes sell direct.

Significant, says the Association, is the disposition among manufacturers to sell in carload lots and quote their lowest prices in that quantity, for the

policy discourages retailers from purchasing direct from producers.

Other noteworthy facts uncovered by the survey were:

1. Only four of the 122 manufacturers admitted that they give quantity discounts on accumulated purchases of two or more buyers who purchase through the headquarters of a buying group. The others said that they grant no concessions under such circumstances, probably from fear of violating the Robinson-Patman Act.

2. Only six producers reported that they ship exclusively by railroad. Of the 116 using trucks, 88 said that they place truckload orders on the same basis as carload purchases and quote the same prices and discounts for both. The quantity considered as a truckload, however, varies with each product.

Forbes, June 1, 1939, p. 16:2.

Manufacturers' Marketing Research Activities

The average manufacturer replying to an inquiry of the Department of Commerce regarding his conduct of market research spends \$21,000 a year for such research carried on by his own organization and \$8000 for research by outside organizations, according to a report made public by the Marketing Research Division of the Bureau of Foreign and Domestic Commerce.

The aggregate expenditures for marketing research reported by 151 firms amount to nearly \$2,000,000 annually, of which about 70 per cent goes for payroll, 15 per cent for travel, and

15 per cent for other costs. To conduct this research, these manufacturers employ 383 full-time research workers and have 384 other employees giving part of their time to this activity.

The subjects of research most frequently reported in this study are as follows: (1) potential market for a product or line; (2) analysis of consumer market by sales territories; (3) sales quota construction; (4) analysis and interpretation of current market statistics; (5) sales territory delineation; (6) business forecasting; (7) analysis of wholesale market by sales territories; (8) classes of consumers purchasing product, from point of view of amount and nature of income, buying habits, seasonality of interest, location, and number of individuals represented. *Domestic Commerce*, May 30, 1939, pp. 307-308.

Is Your Mailing Going to Be a Success?

On any direct mailing to either consumers or retailers, manufacturers will receive more than half of their returns within the first 10 days, according to the experience of an organization making millions of mailings annually. The percentage of total orders which can be expected by five-day periods is as follows:

From old customers—42 per cent within the first five days; 28 per cent within the second five days; 16 per cent within the third five days; and 14 per cent during the weeks following.

From prospects—33 per cent within the first five days; 32 per cent within

the second five days; 15 per cent within the third five days; and 20 per cent in the weeks following.

Sales Management, April 20, 1939, p. 28:1.

Sales to Employees

Many stores may be overlooking "acres of diamonds" in sales to their employees, according to a survey recently completed by the Sales Promotion Division of the National Retail Dry Goods Association.

The study of employee purchases, limited to a group of member stores in the \$3,500,000 to \$10,000,000 classes, shows that stores which reported figures obtain an average of 4.76 per cent of their total sales from their employees, ranging in individual cases from 2.25 to 7.5 per cent of sales. Despite this, one-fourth of the reporting stores stated that no efforts were made to develop or record employee transactions.

Apparently employee purchases are not well cultivated in many stores, yet here is business that is relatively easy to secure and is worth more than the actual dollars and cents received. Not only are employee purchases important because they may produce considerable volume, but they may, on the other hand, reveal reasons for unsatisfactory customer volume. They may well stimulate employee enthusiasm, or indicate lack of it, in daily contacts with customers.

Most stores, it was found, rely solely upon employee discounts to promote

sales among their employees. The predominating practice is a 10 per cent discount on everything in the store, and 20 per cent on clothes worn to or in the store. However, a number of stores in the survey, placing a special value on their employees' purchases, take other measures to build sales within the store—e. g., seasonal offers of merchandise to employees; bulletins, at intervals, advising employees of new, regular-stock merchandise in which they will be particularly interested;

fashion shows for employees; and displays in employees' restaurants or rest rooms.

It was found that employee sales are most strongly evidenced in these departments, listed in the order in which employee purchases are largest: men's furnishings, drugs and toiletries, furniture, hosiery, women's and misses' dresses, men's clothing, and housewares. National Retail Dry Goods Association, New York City, May 7, 1939. 2 pages.

FINANCIAL MANAGEMENT

Present-Day Practice in Accounting for Research and Development Costs

Probably there is no group of expenditures about which there is less agreement as to its disposition in the accounts than the group usually designated as research and development costs. Thus the results of a recent survey of the current practices of 106 industrial corporations in accounting for such costs should be of unusual interest.

Of the companies covered by the study, 72 have separate research departments. All but two of the companies replied to a question on the budgeting of research projects; of these, 67 companies reported that research costs were budgeted either in total or by projects, and the remainder do not attempt to budget research costs.

Over two-thirds of the reporting companies collect job costs by research projects; in the other organizations, presumably, research expenditures are treated as overhead for the department in which the work is conducted.

Another question asked was, "Who in your organization has the final decision in authorizing individual research and development projects?" The following is a summary of replies, with the corresponding numbers of companies: president (35); a committee (19); general manager (16); a vice president (12); chief engineer or research director (10); production superintendent or manager (6); unclassified (8).

An analysis of the practice of reporting companies with respect to whether each type of research expenditure is capitalized or charged off cur-

rently discloses a very great reluctance to capitalize research and development expenses.

The cost of research work in connection with the development of new products is treated as factory overhead by the majority of the reporting companies and in almost half of the cases is applied as overhead applicable to all production. Approximately four-fifths of the companies surveyed charge research costs for developing new manufacturing methods as overhead to be included in the cost of the product manufactured. In the case of pure research, where no immediate benefit to production is expected to occur, almost as many companies include the cost in general or product overhead as charge it off currently to profit and loss. By R. P. Marple. *N. A. C. A. Bulletin*, March 1, 1939. 24 pages.

(Other results of this study have been tabulated and analyzed in detail by the author—*Editor*).

Costing Problems Posed by the Robinson-Patman Act

Only recently have manufacturers realized the far-reaching effect of the Robinson-Patman Act upon cost accounting operations and requirements. By making costs the only basis for price differentials, the act has magnified three general cost accounting problems: (1) the determination of grade and quality differences; (2) the establishment of quantity limits on which to grant price differentials; and (3) the setting of proportionately equal terms.

Under the law, price variations for

commodities different in grade and quality, when such differences are substantial and recognized in good faith, are sanctioned. Nevertheless, what constitutes a different grade and quality of recognizable amount has not been defined, and the possibilities of various types of grade and quality differences in products are so large that it seems doubtful whether a general rule or group of rules can be applied.

No specific case on this question has been reported, but the cost accounting problems to the manufacturer are clear. For example, a canner purchases his raw materials from farmers at various prices. If average cost of the raw materials is used, no grade or quality difference can be established on the basis of costs; but if each lot is "costed" with the specific price paid for the raw materials making up the final product, a difference in the cost of various lots can be established. How far the canner would be permitted to make a difference in price on the basis of such a cost difference is a problem. Intrinsically, the quality and the grade of all lots might be the same, but the costs of them are not the same. A canner could easily establish a cost difference on which to justify a price differential by shipping the lots of low-cost materials to the large chain-store purchaser.

With goods of "like grade and quality," in which actual cost differences exist between customers because of variations in the expense of selling and distributing the product, the manufacturer has no legal guide as to proper

apportionment of such differences in terms of quantity brackets. Use of a general price schedule brings about specific borderline cases in which differences in price cannot be justified on cost savings.

These and related problems must

be coped with as long as the act is in force, but it appears that the manufacturer must proceed on a trial basis and incur the penalty of the law for his errors. By Ralph D. Cies. *Harvard Business Review*, Spring, 1939, p. 350:6.

INSURANCE *

Workmen's Compensation Insurance Cost

The basic use of the experience calculations previously developed under employers' liability insurance was not found to be very successful. Countless revisions of premium rates and classifications have followed, in an endeavor to bring about the desired relationship of rate to risk. But while this readjustment has been going on, the rating actuaries have been confronted with constantly changing conditions.

Workmen's compensation insurance, unlike any other classes of insurance, completely assumes the compensation liability, which is only as definite as the interpretation of the compensation statutes and rules makes possible. Rating formulae, at best, are highly complex in their application. While the full equity of the methods employed to produce individual-experience credit or debit rates may be questioned, it can be said that at least they are a step in the right direction, tending to produce a more equitable distribution of

compensation insurance cost than would otherwise exist. The rating formulae fail utterly to recognize the matter of indirect losses. Such indirect losses include loss of employees' time, interruption of business and similar disturbances, loss or damage to machinery, equipment, automobiles, etc., when involved in the accidents causing such losses, and liability to others for damage to themselves or their property.

The retrospective rating plan differs from the standard experience rating plan. If the employer cannot be reasonably sure that accident control has been well established, and if he does not possess full knowledge of his previous experience, the adoption of the retrospective plan may be unwise. Those responsible for establishing loss reserves in conjunction with workmen's compensation self-insurance programs, through inexperience or because of non-jurisdiction or lack of competent counsel, may make inadequate provision for the settlement of pending and future claims. Thus any deficiency ultimately so resulting, but not pre-

* Insurance abstracts are contributed by P. D. BETTERLEY, Insurance Consultant.

determined, may temporarily create a false basis for cost computation. The cost accountant who has fully familiarized himself with such possibilities will be of great value to the employer in properly establishing the true cost factor of workmen's compensation.

When, and only when, underwriter and employer alike recognize the fact that workmen's compensation is an inescapable sign of the times, based on broad humanitarian grounds, may improvement be accomplished. Any improvement must come from one of two sources, the first and most important of which is accident control, and the second of which is the minimizing of expense. By M. W. Dobrzensky. *The Insurance Post*, January, 1939, p. 5:5—February, p. 11:4.

Research in Insurance

There is a place in insurance for a genuine research organization. More thought should be given to anticipating and forestalling competition by the development of covers and services in advance of demand for them, instead of arguing that a proposal has no merit "because there is no demand." It is difficult to recall any important ameliorative insurance legislation originated and proposed by insurers, though full credit should be given for their efforts in the field of prevention of losses.

It would be the function of research to build up a body of significant statistical data, to study specific problems, to replace impressions with factual conclusions, maintaining at all times

a scientifically critical attitude. A research organization should not be called upon for ammunition to bolster up preconceived positions nor to furnish material for immediate competitive activity. A few problems suggest themselves: (1) the effect of the various moral-hazard clauses of the standard fire policy on the financial results of the business; (2) the cost of all-risk insurance on fixed property; (3) the effect of a deductible clause on losses, on the amount of insurance carried, and on rates; (4) analysis of disbursements in terms of benefits to the insured, administrative expense, selling (as distinguished from service) expense, and surplus; (5) relative usefulness and economy of varying types of employees; (6) public opinion of insurance practices; and (7) possibilities of new fields for extension of coverage.

The greatest service of research would be to keep insurance carriers in advance of, or at least in tune with, the times instead of letting them painfully adjust themselves to unpleasant pressure from without. By Ralph H. Blanchard. *The Eastern Underwriter*, April 14, 1939, p. 27:1.

Retrospective Rating Saves \$203,387 for 51 Employers

When the retrospective rating plan for writing workmen's compensation insurance was introduced, it created great interest and caused considerable controversy. Many employers, and sellers also, decided that it might be best to sit on the sidelines pending the

development of definite cost trends, particularly so in the case of risks close to the minimum provision that standard premiums be \$5000 or more annually. Rather ominous was the risk of being subject to substantial excess premium charges if one year's experi-

ence was bad. But of the 51 risks on which figures are complete, 29 secured the minimum rate—saving an average of 33 per cent from the standard rate. On all 51 risks, the average premium saving was 23.6 per cent. *The Insurance Post*, February, 1939, p. 5:1.

Survey of Books for Executives

Manual for Executives and Foremen. By Erwin Haskell Schell and Frank Forster Gilmore. McGraw-Hill Book Company, Inc., New York, 1939. 185 pages. \$2.00.

If recurring articles in the industrial press, and papers presented at production and personnel gatherings, are a criterion, the problem of supervisory training continues to be one of the most important confronting management today.

In recent years there has been a tendency to select foremen from a somewhat higher educational level—indeed, many a college man will be found holding down a first-line supervisory job. This trend, coupled with the fact that many companies have been conducting foremen-training programs for a number of years, has made it possible in many cases to carry on quite advanced work in foreman groups—including such subjects as basic principles in motion and time study, plant layout, production con-

trol, and the like. Indeed, the complaint is not infrequently heard that foreman-training programs do too much "talking down" to the foremen, and often place too great an emphasis on obvious, common-sense handling of human problems. This, of course, is mentioned with no intention of deprecating the importance of these human problems—it does, however, call attention to a tendency to make foreman-training programs top-heavy with respect to personnel subjects, and superficial with respect to production methods.

For training courses with "real meat" in them, a very useful little book has recently appeared—"Manual for Executives and Foremen," by Erwin H. Schell and Frank Forster Gilmore. This volume does not waste space on generalities; rather it gets right down to brass tacks on departmental improvement, quality control, equipment use, motion economy, and the like.

Professor Schell is, of course, well

known for his book, "The Technique of Executive Control" (McGraw-Hill Book Company, Inc., New York, 1934). The present volume follows the admirable technique Professor Schell worked out for the other—problems are described, and possible procedures outlined to fit a variety of cases. This manner of presentation makes the book especially valuable for group discussion, and also, of course, greatly facilitates individual study. Although two authors have collaborated on this volume, Professor Schell's simple, lucid style is happily very much in evidence.

Reviewed by Carl Heyel.

Determining Employee Attitudes.

Published by *Industrial Commentaries*. Norman S. Fregger, Editor, 160 North La Salle Street, Chicago. 35 pages.

No problem of industrial relations has afforded such spacious room for speculation as the seemingly simple query: What do employees want out of business?

Some authorities believe workers want profit sharing, that they want collective bargaining, unions, and high hourly wages. The authors of this study do not believe they want any of these things. Profit sharing, they declare, originated in the minds of employers, and "extensive investigation and research indicates" that employees do not want it at all. As for collective bargaining and the Wagner Act, a substantial number of employees do not know what they are. The check-off and the closed shop? Do employees

want them? "Again" (quoting the authors) "we say absolutely not!" In fact, they tell the amusing story of one group of employees who thought that when the "closed shop" was referred to it meant that the plant was to be closed down during the Christmas holidays. And they wanted that! As to high hourly wages: *Industrial Commentaries* believes that what labor really wants is high and steady annual income.

The pamphlet contains a discussion of the various methods that have been evolved to test employee attitudes, and while the authors find it very difficult to reconcile themselves to the belief that there is such a thing as "science in management," they concede that there has been some scientific approach to the problem of measuring employee attitudes. They believe that employers were able to put to little practical use the findings in the National Association of Manufacturers' survey, "What Employees Think," and that if the N.A.M. "would spend the same amount of time, money and effort in an attempt to convince individual employers that they ought to do individual jobs and to make individual determinations, considerably more value would be gained."

They cite as one of the most practical attempts to determine employee attitudes the effort made by the Armstrong Cork Company, of Lancaster, Pa. This program they feel was sound and of practical benefit, except that the objectives listed in the booklet in which the employees gave their opinions were not broad enough to afford the workers an opportunity to express

those grievances which might exist beyond the scope of the objectives mentioned. They discuss also the experiment by the Yale & Towne Manufacturing Company in which a booklet was distributed to employees containing a message from the president of the company, which invited them to write on a page provided for that purpose their comments on the chief executive's remarks. The fact that the address came from the president was an advantage, since employees like to hear from "the boss"; but the whole attempt was weakened because it did not afford possibilities for specific comments. Another weakness mentioned by the authors was that employees were asked to sign their names; critical employees would be afraid to sign, they believe.

The authors consider the unguided interview as employed by the Western Electric Company the surest and most satisfactory method of all, but it has various practical limitations: It implies a long-term program requiring extremely careful preparation; it might prove too costly for small companies; and it requires the services of very highly skilled interviewers.

Probably the most immediate and practical step which the average employer can take to determine the attitudes of his employees is to get closer to them, the authors advise. They point out that employees often talk more freely outside the plant than within, and that the two best listeners for the employee are the local bartender, who *must* listen, and the employee's wife.

The monograph concludes with a

discussion of the value of suggestion systems in ascertaining employee attitudes. It is pointed out that while suggestion systems have been widely used to get employees' ideas on how to improve products or methods, very little effort has been made in this manner to obtain their suggestions for improving human relations. *Industrial Commentaries* believes that steps should be taken in this direction.

This study on employee attitudes is Volume 1, Number 1 of *Industrial Commentaries*. It is understood that subsequent similar studies have appeared and will appear on such subjects as profit sharing, seniority provisions, etc.

Salesmanship for Today for Sales Managers of Tomorrow. By David R. Osborne. Harper & Brothers, New York, 1939. 171 pages. \$2.50.

This book is a significant and refreshing departure from the usual volumes on selling. While the fundamentals of good salesmanship are covered in helpful detail and an outline offered for their most productive application to the salesman's daily rounds, emphasis is placed upon the attitude of the salesman toward his work from the point of view of possible advance to greater responsibilities and higher pay. That attitude, the author shows, weighs far more heavily in the selection of sales managers today than the candidate's sales record or his reputation as a "star closer."

David R. Osborne has been both

salesman and sales manager and is now Sales Training Director of the Studebaker Corporation. He has illustrated the principles he mentions with typical situations which he has observed in his own work. The most practical benefit that the salesman will derive from the volume is an understanding of the basic importance of self-management.

Public Opinion. By William Albig. McGraw-Hill Book Company, Inc., New York, 1939. 486 pages. \$4.00.

The business man newly entered upon a study of the problem of public relations is frequently dismayed at the complexity of the field and at the inscrutable nature of what is known as "public opinion." Such an individual will obtain a much clearer notion of what public opinion is and how it operates by reading this volume by Mr. Albig, Associate Professor of Sociology at the University of Illinois, who has broken the subject down into its component parts. He shows what public opinion is made of; how it reacts; how successful propagandists have played upon it like a skilled musician plays an organ; how on others the notes have turned sour. He discusses strange beliefs of folklore and explains why people are conditioned to believe doctrines that to others seem preposterous.

An idea of the comprehensiveness of the volume may be gained from these samples of chapter headings: The Development of Public Opinion; Communication; Violence and Public

Opinion; The Geographic Distribution of Group Opinion; The Measurement of Opinion; Opinion Change; Censorship; Special Interest Groups; Propaganda; The Radio; Motion Pictures; The Newspapers; The Graphic Arts and Public Opinion; Public Opinion and Reality.

The basic information and the analysis of public opinion phenomena that the book contains are probably fundamental equipment for anyone who regards the public relations and opinion problem with any seriousness.

The Economics of Business Enterprise. By Walter Rautenstrauch. John Wiley & Sons, Inc., New York, 1939. 445 pages. \$4.00.

This book is designed to meet the requirements of students of engineering who need instruction in the economics of business processes, particularly those processes in which their special skills will be engaged. The volume deals primarily with some of the problems of the business unit rather than with business as a whole, but does not touch on such aspects of business as marketing, price policy, transportation, etc.

The main body of the subject matter covers the area in which students of engineering will find themselves in the first few years after graduation. The chapters are as follows: The Economic Cycle; The Principles of Estimating Costs; Methods of Estimating Costs; Interest and Depreciation; The Economic Worth of Machines, Materials and Supplies; The Economic Charac-

teristics of Business Enterprise; The Economic Characteristics of Typical American Businesses; The Interpretation of Financial Statements; Business Enterprise on a National Scale.

Adjusting Your Business to the New Legislation. Tax Research Institute, New York, 1939. 1065 pages. \$12.85.

With the vast amount of restrictive legislation affecting business that has been created in recent years, the business man's problem in knowing what practices are legal and what illegal assumes a magnitude that makes "keeping within the law" a business in itself. While the average executive is familiar with the broad outlines of such legislation as the National Labor Relations Act, the Wages and Hours Law, and the Robinson-Patman Act, he is rather vague on the details of these laws, and when confronted with their finer points is often thoroughly baffled. And, in addition to this "headline" legislation, there are myriad other laws which affect business practices that many business people confess they do not comprehend at all.

The Tax Research Institute has brought forth a volume encompassing

all Federal laws regulating business. Despite the fact that each piece of legislation is concisely, though adequately, dealt with, the volume bulks up to more than a thousand large-size pages. Each section is tabbed off so that the reader can conveniently find the law with which he is concerned without consulting a table of contents. Under the Robinson-Patman Act, for example, there is a digest and explanation of the law, which is interspersed with comments and notes by members of the staff of the Institute. This is backed up by a section on anti-trust laws.

A unique feature of the book is a chart of "Illegal Business Practices," which lists common business practices that are in any way regulated or prohibited by law. In this chapter various business practices are designated by the name or names with which they are commonly referred to in business parlance.

This reviewer can visualize the volume being put to the most practical kind of use by sales managers, personnel directors, production managers and other company officials. A handy and well-executed reference work, it can be confidently recommended as an addition to the company library.

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